

PROGRAM VI: DEBT SERVICE

SUMMARY OF APPROPRIATIONS AND REVENUES

Agency	Agency Name	FY 2002-2003 Appropriations	FY 2002-2003 Revenue	FY 2002-2003 Net County Cost
016	Recovery Cop Lease Financing	66,207,114	66,207,114	0
019	Capital Acquisition Financing	8,993,109	8,011,095	982,014
	GENERAL FUND TOTAL	75,200,223	74,218,209	982,014
14V	Debt Prepayment Fund	94,723,000	94,723,000	0
15J	Pension Obligation Bonds Debt Service	184,725,521	184,725,521	0
15P	Refunding Recovery Bonds	53,122,588	53,122,588	0
15Q	Pension Obligation Bond Amortization	55,000,000	55,000,000	0
15W	1996 Recovery Cop Series A	3,505,203	3,505,203	0
599	OC Special Financing Authority	150,495,426	150,495,426	0
9C0	Debt Service	252,885,524	252,885,524	0
	NON-GENERAL FUND TOTAL	794,457,262	794,457,262	0
	TOTAL DEBT SERVICE	869,657,485	868,675,471	982,014

016 - RECOVERY COP LEASE FINANCING

Operational Summary

Agency Description:

Make timely debt service payments on the 1996 Recovery Certificates of Participation (COPs) Series "A."

The 1996 Recovery COPs were sold in June 1996 to raise funds to pay the County's creditors. The issue amount was \$760,800,000, current outstanding principal (as of July 1, 2002) is \$633,450,000.

Debt service is paid from revenues diverted annually by State Statute for this purpose. The diverted revenues include the transportation portion of the Bradley Burns sales tax (\$38 million), Flood Control Property Tax (\$4 million), Harbors, Beaches and Parks Property Tax (\$4 million), and Redevelopment Agency Property Tax (\$4 million). Additionally this fund receives revenue from imported trash (see Fund 285) deposited in the County landfills. The 1996 Recovery COPs will be paid off in July 2026.

Any funds not needed to pay debt service are transferred from this agency to Fund 14A, Option "B" Pool Participants and Fund 15Z, Plan of Adjustment Available Cash.

At a Glance:

Total FY 2001-2002 Projected Expend + Encumb:	65,513,151
Total Recommended FY 2002-2003 Budget:	66,207,114
Percent of County General Fund:	2.71%
Total Employees:	0.00

Strategic Goals:

- Make timely debt service payments on the outstanding 1996 Recovery Certificates of Participation.

Fiscal Year FY 2001-2002 Key Project Accomplishments:

- Made required debt service payments on a timely basis.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Make timely debt service payments on the 1996 Recovery Certificates of Participation and transfer surplus funds to the Plan of Adjustment Available Cash Fund 15Z.

Changes Included in the Recommended Base Budget:

Not applicable.

Proposed Budget and History:

Sources and Uses	FY 2000-2001 Actual	FY 2001-2002 Final Budget	FY 2001-2002 Projected ⁽¹⁾	FY 2002-2003 Recommended	Change from FY 2001-2002 Projected	
					Amount	Percent
Total Revenues	72,659,386	63,743,036	65,513,144	66,207,114	693,970	1.06
Total Requirements	73,509,600	63,743,036	65,513,151	66,207,114	693,963	1.06
Net County Cost	850,214	0	7	0	(7)	-100.00

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2001-2002 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Recovery Cop Lease Financing in the Appendix on page 621.

Highlights of Key Trends:

- Not applicable.

019 - CAPITAL ACQUISITION FINANCING

Operational Summary

Agency Description:

To make timely debt service payments on the 2002 Juvenile Justice Center (JJC) Refunding Bonds and to make trustee payments for other refunded bonds.

The 1992 JJC COPs were sold to refund a 1989 COP, the proceeds of which were used to construct the Betty Lou Lamoreaux Juvenile Justice Center, Juvenile Hall Administration Facility, Juvenile Intake Facility, and parking structures. Debt service on the 1992 COPs is about 85% revenue offset from court construction revenue, the remainder is a net county cost.

Strategic Goals:

- Make timely debt service payments on 1992 Refunding Juvenile Justice Center Certificates of Participation.

Fiscal Year FY 2001-2002 Key Project Accomplishments:

- Not applicable.

CAPITAL ACQUISITION FINANCING - Capital acquisition financing using certificates of participation.

2002 JJC REFUNDING BONDS - Lease payments and trustee activity for the 1992 Refunding Juvenile Justice Center Certificates of Participation.

The 2002 JJC Refunding Bonds issue amount was \$80,285,000, as of June 1, 2002 the outstanding balance will be \$80,285,000. The 2002 Bonds will be paid off in 2019.

At a Glance:

Total FY 2001-2002 Projected Expend + Encumb:	7,217,883
Total Recommended FY 2002-2003 Budget:	8,993,109
Percent of County General Fund:	0.37%
Total Employees:	0.00

INTEGRATED COURT MGT SYS PHAS3 - Trustee activity on the 1997 Integrated Court Management System Phase III Certificates of Participation.

Budget Summary

Proposed Budget and History:

Sources and Uses	FY 2000-2001 Actual	FY 2001-2002 Final Budget	FY 2001-2002 Projected ⁽¹⁾	FY 2002-2003 Recommended	Change from FY 2001-2002 Projected	
					Amount	Percent
Total Revenues	6,150,298	6,135,819	6,365,036	8,011,095	1,646,059	25.86
Total Requirements	7,217,884	7,244,819	7,450,219	8,993,109	1,542,890	20.71
Net County Cost	1,067,586	1,109,000	1,085,183	982,014	(103,169)	-9.51

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2001-2002 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Capital Acquisition Financing in the Appendix on page 622.

14V - DEBT PREPAYMENT FUND

Operational Summary

Agency Description:

To reduce the General Fund debt burden. Currently there is \$981 million outstanding in General Fund debt, of this amount \$873.7 million is from the bankruptcy recovery.

This fund was created by Board of Supervisors action on October 20, 1999 which transferred \$27.1 million from the Debt Repayment reserve to this new fund. Subsequently, the annual strategic financial plans and corresponding budgets have added money to this fund. The County has redeemed or defeased \$363.6 million in outstanding debt since 1998.

The next target for reduction or defeasance are the outstanding 1995 Refunding Recovery Bonds (see also Fund 15P) which have a current balance of \$240.2 million.

At a Glance:

Total FY 2001-2002 Projected Expend + Encumb:	1,327,150
Total Recommended FY 2002-2003 Budget:	94,723,000
Percent of County General Fund:	N/A
Total Employees:	0.00

Strategic Goals:

- To eliminate or reduce the debt service burden on the General Fund. Reduction of debt releases scarce County general purpose revenues for more productive uses. Although the 2002 Strategic Financial Plan assumed further reduction in the 1995 Refunding Recovery Bond principal, no additional reduction has taken place. Recent historically low interest rates have made it economically unfeasible to defease additional debt.
- The interest on the cash in this fund is retained by the fund. However, because anticipated debt reduction has not taken place, this fund will transfer \$1.3 million during FY 01-02 and \$1.2 million during FY 02-03 from interest earned to the General Fund, Agency 100.

Fiscal Year FY 2001-2002 Key Project Accomplishments:

- Not applicable.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Eliminate or reduce at least \$80 million in outstanding 1995 Refunding Recovery Bond debt.

Changes Included in the Recommended Base Budget:

Not applicable.

Proposed Budget and History:

Sources and Uses	FY 2000-2001 Actual	FY 2001-2002 Final Budget	FY 2001-2002 Projected ⁽¹⁾	FY 2002-2003 Recommended	Change from FY 2001-2002 Projected	
					Amount	Percent
Total Revenues	14,243,292	17,989,899	17,913,049	36,718,705	18,805,656	19.64
Total Requirements	1,010,071	59,651,000	1,377,000	94,723,000	93,346,000	6,778.94
FBAFBA	28,235,025	41,661,101	41,468,245	58,004,295	16,536,049	39.88

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2001-2002 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Debt Prepayment Fund in the Appendix on page 624.

Highlights of Key Trends:

- On February 25, 2002, the Board of Supervisors approved a construction contract for the construction of the Theo Lacy Branch Jail Building "B" that is funded from Public Sales Safety Tax Surplus (Fund 14B), Special Designated Revenue Fund 15S and the Public Safety share of the Tobacco Settlement Revenue, Fund 13N. See Fund 15C for additional information.
- Because the jail expansion is now funded, \$32.7 million that was kept in the general fund bond reserve for this purpose, was earmarked for transfer to Fund 14V for use in further debt reduction. However, because of a lack of sufficient revenues to fund ongoing general fund programs, the transfer was reduced by about \$7 million. Additionally, \$10 million as programmed in the 2001-2002 Strategic Financial Plan are added in the FY 2001-2002 Budget.

15J - PENSION OBLIGATION BONDS DEBT SERVICE

Operational Summary

Agency Description:

This fund is used to record the debt service payments on the County's Pension Obligation Bonds: Series 1994A, Refunding Series 1996A and Refunding Series 1997A. These bonds are a General Fund obligation.

On October 20, 1999 the Board of Supervisors directed the CEO to proceed with actions necessary to eliminate this debt obligation. On March 31, 2000 and June 11, 2000, the County purchased through a tender offer 45% of the outstanding bonds, about \$288.3 million, and then cancelled them. The cost of the purchase was about \$179.0 million.

The remaining Pension Obligation Bonds with a par value of \$350,823,000, were successfully prepaid through an economic defeasance on June 22, 2000. Available funds, including the FY 1999-00 Tobacco Settlement Revenue allocation to the County, were irrevocably pledged for payment, in full, of the bonds and invested in AAA rated debt securities issued by the Federal Home Loan Bank, Federal National Mortgage Association (FNMA). The FNMA securities, along with cash on hand, will be sufficient to pay principal and interest on the bonds when due and payable.

The FY 2002-2003 budget for this fund contains appropriations to record the debt service payments made by the bond trustee from the defeasance escrow fund. There is no "out-of-pocket" payment required from the County.

At a Glance:

Total FY 2001-2002 Projected Expend + Encumb:	11,603,252
Total Recommended FY 2002-2003 Budget:	184,725,521
Percent of County General Fund:	N/A
Total Employees:	0.00

Strategic Goals:

- To record debt service payments made by the trustee on the defeased Pension Obligation Bonds.

Fiscal Year FY 2001-2002 Key Project Accomplishments:

- Not applicable.

Budget Summary

Proposed Budget and History:

Sources and Uses	FY 2000-2001 Actual	FY 2001-2002 Final Budget	FY 2001-2002 Projected ⁽¹⁾	FY 2002-2003 Recommended	Change from FY 2001-2002 Projected	
					Amount	Percent
Total Revenues	10,254,345	9,100,307	9,674,441	9,980,000	305,559	0.22
Total Requirements	22,004,018	188,398,000	11,603,252	184,725,521	173,122,269	1,492.02
FBA	188,424,004	179,297,693	176,674,331	174,745,521	(1,928,810)	-1.09

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2001-2002 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Pension Obligation Bonds Debt Service in the Appendix on page 625.

15P - REFUNDING RECOVERY BONDS

Operational Summary

Agency Description:

To make timely debt service payment on the outstanding 1995 Refunding Recovery Bonds.

This fund was created by Board action on June 13, 1995 to distribute the proceeds from the 1995 Refunding Recovery Bonds to the pre-bankruptcy investment pool participants and to make debt service payments. The debt service payments for the bonds are made through an "intercept" by the State Controller of a portion of the County's share of Motor Vehicle License Fee revenue which is then paid directly to the bond trustee.

The original principal amount of the bonds was \$278,790,000, however on June 29, 1998, \$31,335,000 in outstanding principal was defeased through the use of money in a reserve approved by the Board for debt pre-payment. There is currently an outstanding principal balance of \$247,455,000. See also Debt Prepayment Fund 14V.

Depending on market conditions and availability of funds, a portion of the outstanding principal will be redeemed or defeased in FY 2002-2003.

At a Glance:

Total FY 2001-2002 Projected Expend + Encumb:	16,486,080
Total Recommended FY 2002-2003 Budget:	53,122,588
Percent of County General Fund:	N/A
Total Employees:	0.00

Strategic Goals:

- Make timely debt service payments on the outstanding 1995 Refunding Recovery Bonds.

Fiscal Year FY 2001-2002 Key Project Accomplishments:

- Made required debt service payments on a timely basis.

Ten Year Staffing Trend Highlights:

- Not applicable.

Changes Included in the Recommended Base Budget:

Not applicable.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Continue to make timely debt service payments.

Proposed Budget and History:

Sources and Uses	FY 2000-2001 Actual	FY 2001-2002 Final Budget	FY 2001-2002 Projected ⁽¹⁾	FY 2002-2003 Recommended	Change from FY 2001-2002 Projected	
					Amount	Percent
Total Revenues	16,450,701	16,736,080	16,440,233	24,057,942	7,617,709	16.78
Total Requirements	16,611,451	46,000,000	16,486,080	53,122,588	36,636,508	222.23
FBA	29,271,243	29,263,920	29,110,492	29,064,646	(45,846)	-0.16

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2001-2002 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Refunding Recovery Bonds in the Appendix on page 626.

Highlights of Key Trends:

- Not applicable.

15Q - PENSION OBLIGATION BOND AMORTIZATION

Operational Summary

Agency Description:

To record the use of the County's investment account held by the Orange County Retirement System (OCERS) for normal and unfunded accrued actuarial liability (UAAL) costs.

In 1994 taxable Pension Obligation Bonds were sold to finance the County's UAAL obligation. The County deposited \$318.3 million in an investment account held by OCERS. The investment account is a part of the OCERS investment pool and as such earns the same rate of return.

The investment account was initially used to make annual payments to satisfy the County's UAAL obligation according to a 15-year amortization schedule in lieu of County cash contributions; however, in 1996 the County and OCERS concluded an agreement by which the UAAL is amortized according to a 28-year schedule and the investment account is used to pay an annually declining portion of the County's normal cost obligation.

At a Glance:

Total FY 2001-2002 Projected Expend + Encumb:	38,032,825
Total Recommended FY 2002-2003 Budget:	55,000,000
Percent of County General Fund:	N/A
Total Employees:	0.00

Strategic Goals:

- Use of the County's investment account in the Orange County Employees Retirement System to mitigate cash contributions for normal and unfunded accrued actuarial pension costs.

Budget Summary

Proposed Budget and History:

Sources and Uses	FY 2000-2001 Actual	FY 2001-2002 Final Budget	FY 2001-2002 Projected ⁽¹⁾	FY 2002-2003 Recommended	Change from FY 2001-2002 Projected	
					Amount	Percent
Total Revenues	56,122,152	30,000,000	37,731,936	55,300,889	17,568,953	45.77
Total Requirements	54,967,376	55,000,000	38,032,825	55,000,000	16,967,175	44.61
FBA	(31,036,884)	25,000,000	0	(300,889)	(300,889)	0.00

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2001-2002 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Pension Obligation Bond Amortization in the Appendix on page 627.

15W - 1996 RECOVERY COP SERIES A

Operational Summary

Agency Description:

This fund recorded the receipt of proceeds from the 1996 Recovery Certificates of Participation Series A, payments to creditors and transfers to other funds in accordance with the County's Second Amended Modified Plan of Adjustment, approved by the United States Bankruptcy Court in June 1996. Surplus funds not needed for outstanding obligations are transferred to the General Fund.

At a Glance:

Total FY 2001-2002 Projected Expend + Encumb:	3,300,000
Total Recommended FY 2002-2003 Budget:	3,505,203
Percent of County General Fund:	N/A
Total Employees:	0.00

Fiscal Year FY 2001-2002 Key Project Accomplishments:

- Surplus release to the County General Fund of \$3,000,000 from claims savings.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Maintain sufficient funds for unresolved bankruptcy claims.

Changes Included in the Recommended Base Budget:

Not applicable.

Proposed Budget and History:

Sources and Uses	FY 2000-2001 Actual	FY 2001-2002 Final Budget	FY 2001-2002 Projected ⁽¹⁾	FY 2002-2003 Recommended	Change from FY 2001-2002 Projected	
					Amount	Percent
Total Revenues	444,327	42,000	193,131	200,000	6,869	1.52
Total Requirements	1,307,154	6,438,799	3,300,000	3,505,203	205,203	6.22
FBA	7,274,899	6,396,799	6,412,071	3,305,203	(3,106,868)	-48.45

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2001-2002 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: 1996 Recovery Cop Series A in the Appendix on page 628.

599 - OC SPECIAL FINANCING AUTHORITY

Operational Summary

Agency Description:

To make timely debt service payments on the 1995 Orange County Special Financing Authority Teeter Plan Revenue Bonds and to transfer surplus revenues to County General Fund 100 Agency 016 as provided for in the Second Amended Modified Plan of Adjustment. The surplus transfer to Agency 016 ended in FY 2000-2001, future surplus transfers will be made to Fund 100, Agency 100.

In 1995 the Orange County Special Financing Authority issued \$155,000,000 of revenue backed bonds: Series A (taxable) \$32,375,000; Series B, \$20,625,000; Series C, \$34,000,000; Series D, \$34,000,000; and Series E, \$34,000,000. The proceeds of the bonds were used to pay the holders of the County's 1994-95 Teeter Notes and to fund an on-going Teeter Program.

The use of long term bonds to fund the Teeter Program is unique to Orange County and is authorized by special State statute. The Teeter program is an alternate secured property tax distribution plan. Normally the secured property taxes actually collected by a County are distributed to taxing agen-

cies (e.g. school districts), resulting in less than 100% of the tax levy being distributed because of delinquencies. Under the Teeter Plan, the County distributes 100% of the levy to the taxing agencies and in exchange receives the right to keep the delinquent taxes, penalties and interest.

The Orange County Special Financing Authority was set up in 1995 to administer the Teeter Plan in Orange County. The penalties and interest collected on tax defaulted properties provide the revenue to pay the debt service on the Teeter Bonds and, if available, surplus revenue is released to the County General Fund. The Board of Directors of the Authority are the members of the Orange County Board of Supervisors.

As of November 30, 2001, \$124,425,000 in principal was outstanding from all five series. The Teeter Bonds will be paid off in 2014.

At a Glance:

Total FY 2001-2002 Projected Expend + Encumb:	79,323,624
Total Recommended FY 2002-2003 Budget:	150,495,426
Percent of County General Fund:	N/A
Total Employees:	0.00

Strategic Goals:

- Make timely debt service payments and provide surplus revenue for the bankruptcy recovery as contemplated in the County's Second Amended Modified Plan of Adjustment.

Fiscal Year FY 2001-2002 Key Project Accomplishments:

- Series "E" was remarketed in November 2001. Required debt service payments were made on a timely basis. \$9 million from surplus was transferred to the General Fund.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Make annual transfers of surplus cash to the General Fund.

Proposed Budget and History:

Sources and Uses	FY 2000-2001 Actual	FY 2001-2002 Final Budget	FY 2001-2002 Projected ⁽¹⁾	FY 2002-2003 Recommended	Change from FY 2001-2002 Projected	
					Amount	Percent
Total Revenues	75,899,133	75,300,000	67,800,000	35,200,000	(32,600,000)	-13.59
Total Requirements	75,891,709	200,538,000	79,323,624	150,495,426	71,171,802	89.72
FBA	126,811,627	125,238,000	126,819,050	115,295,426	(11,523,624)	-9.09

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2001-2002 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: OC Special Financing Authority in the Appendix on page 657.

PUBLIC FINANCING PROGRAM (PGM VI)

9C1 Major Activities

The purpose of these funds is to provide for debt service of bonds issued on behalf of the Assessment Districts.

9C1 Funds

Agency Number	Assessment Districts	FY 2002-2003 Appropriations		FY 2002-2003 Revenue	
433	Golden Lan Reassess D 94-1 Debt Service	\$	5,236,502	\$	5,236,502
507	Irvine Coast Assessment District 88-1 Debt Service		25,293,990		25,293,990
525	A D 01-1 Newport Coast IV Debt Service		7,100,000		7,100,000
551	A D 92-1 Newport Ridge Debt Service		1,358,663		1,358,663

9C2 Major Activities

The purpose of these funds is to provide for debt service of bonds issued on behalf of the Orange County Development Agency.

9C2 Funds

Agency Number	OC Development Agency	FY 2002-2003 Appropriations		FY 2002-2003 Revenue	
172	OCDA Debt Service (S.A. Heights)	\$	15,610,108	\$	15,610,108
427	OCDA (NDAPP) - Debt Service		16,133,847		16,133,847

9C3 Major Activities

The purpose of these funds is to provide for debt service of bonds issued on behalf of the Community Facilities Districts.

9C3 Funds

Agency Number	Community Facility Districts	FY 2002-2003 Appropriations		FY 2002-2003 Revenue	
479	CFD 99-1 Series A 99 Ladera Debt Service	\$	4,514,249	\$	4,514,249
482	Special Mello-Roos Reserve		29,516,222		29,516,222
484	R'O Santa Margarita CFD 86-2 Debt Service		4,116,553		4,116,553
488	Santa Margarita CFD 86-1(Ser '88) Debt Service		7,528,219		7,528,219
490	Dimensions/Serrano Creek CFD 87-1 Debt Service		2,442,546		2,442,546
492	Mission Viejo CFD 87-3 (A)-Debt Service		12,328,417		12,328,417
494	Aliso Viejo CFD 88-1 Debt Service		50,754,300		50,754,300
496	Lomas Laguna CFD 88-2 Debt Service		499,653		499,653
501	Rancho Santa Margarita CFD 87-5A Debt Service		2,242,023		2,242,023
503	Portola Hills CFD 87-2(A) Debt Service		5,753,057		5,753,057
505	Foothill Ranch CFD 87-4 Debt Service		27,750,473		27,750,473
509	Rancho Santa Margarita CFD 87-5B Debt Service		5,552,948		5,552,948
511	Baker Ranch CFD 87-6 Debt Service		2,139,398		2,139,398
513	Coto De Caza CFD 87-8 Debt Service		5,205,458		5,205,458

9C3 Funds

Agency Number	Community Facility Districts	FY 2002-2003 Appropriations	FY 2002-2003 Revenue
515	Santa Teresita CFD 87-9 Debt Service	1,532,079	1,532,079
517	Rancho Santa Margarita CFD 87-5C Debt Service	2,800,845	2,800,845
519	Los Alisos CFD 87-7 Debt Service	4,056,404	4,056,404
521	Rancho Santa Margarita CFD 87-5D(A) Debt Service	2,615,366	2,615,366
533	CFD 01-1 Ladera Debt Service	4,500,000	4,500,000
547	CFD 00-1 Ladera Debt Service	3,679,322	3,679,322
549	Rancho Santa Margarita CFD 87-5E(A93) Debt Service	2,624,882	2,624,882